



## CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Set Public Hearing for April 18, 2001 to introduce Ordinance for the implementation of a Market Cost Adjustment mechanism

**MEETING DATE:** March 21, 2001

**PREPARED BY:** Electric Utility Director

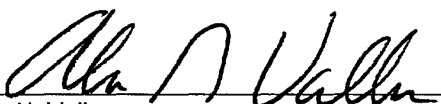
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**RECOMMENDED ACTION:** That the City Council set a public hearing for April 18, 2001 and by ordinance approve a Market Cost Adjustment policy and mechanism.

**BACKGROUND INFORMATION:** The City of Lodi's historical power purchase strategy has been to be in a partial deficit energy position in the winter season. This strategic position has been very successful because the price for power on the spot and short-term market was generally very low during this period. The gas and electric energy market has seen dramatic volatility in recent months and has caused the City of Lodi to take various mitigation strategies. The nature of the market situation has caused the cost of purchased energy to be significantly higher than originally budgeted, although without the mitigation strategies would have been much more severe. It is anticipated that the market will improve, but should remain volatile for at least two more years.

The Market Cost Adjustment will allow the Electric Utility Department to better follow the market and to capture both recent under-collections and future costs. This mechanism would be adjusted on a quarterly basis and would utilize an approved formula. The formula will reflect a true up of prior costs and a rolling twelve-month projection of purchased power costs. The mechanism is designed to minimize spikes to the adjustment rates. It is anticipated that the adjustment may go up or down depending on the various short and long-range strategies the City of Lodi elects to employ and the state of the power market at the that time.

**FUNDING:** Not Applicable

  
Alan N. Vallow  
Electric Utility Director

ANV/ist

C: City Attorney

APPROVED: \_\_\_\_\_

  
H. Dixon Flynn - City Manager

PROOF OF PUBLICATION

(2015.5 C.C.P.)

STATE OF CALIFORNIA,

County of San Joaquin.

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above-entitled matter. I am the principal clerk of the printer of the Lodi News-Sentinel, a newspaper of general circulation, printed and published daily, except Sundays and holidays, in the City of Lodi, California, County of San Joaquin, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court, Department 3, of the County of San Joaquin, State of California, under the date of May 26th, 1953. Case Number 65990; that the notice, of which the annexed is a printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

March 24

all in the year 2001.

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Dated at Lodi, California, this 24 day of

March

2001.

*Sarah Waterman*  
Signature

This space is for the County Clerk's Filing Stamp

RECEIVED  
01 MAR 29 AM 11  
SUSAN J. BLACK  
CITY CLERK  
CITY OF LODI

Proof of Publication of

Public Hearing

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on Wednesday, April 18, 2001 at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a Public Hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

a) Introduce Ordinance for the Implementation of a Market Cost Adjustment Policy and Mechanism

Information regarding this item may be obtained in the office of the Utility Department Director, 1331 South Ham Lane, Lodi, California. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the Public Hearing described in this notice or in written correspondence delivered to the City Clerk, 221 West Pine Street, at or prior to the Public Hearing.

By Order of the Lodi City Council:  
Susan J. Blackston  
City Clerk

Dated: March 21, 2001

Approved as to form:  
Randall A. Hays  
City Attorney  
March 24, 2001

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PROOF OF PUBLICATION

# PROOF OF PUBLICATION

(2015.5 C.C.P.)

RECEIVED

STATE OF CALIFORNIA,

APR 12 2001

County of San Joaquin.

City Clerk  
City of Lodi

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer of the Lodi News-Sentinel, a newspaper of general circulation, printed and published daily except Sundays and holidays, in the City of Lodi California, County of San Joaquin, and which newspaper has been adjudged a newspaper of general circulation by the Superior Court, Department 3, of the County of San Joaquin, State of California under the date of May 26th, 1953, Case Number 65990; that the notice, of which the annexed is printed copy (set in type not smaller than nonpareil), has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

April 2, 10

all in the year 2001.

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Dated at Lodi, California, this 10 day of

April 2001

Sarah Waterman  
Signature

This space is for the County Clerk's Filing Stamp

## NOTICE OF PUBLIC HEARING APRIL 18, 2001

NOTICE IS HEREBY GIVEN that on Wednesday, April 18, 2001 at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a Public Hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the introduction of an ordinance (as described below) for the implementation of a Market Cost Adjustment Policy and Mechanism.  
PROPOSED ORDINANCE:

SECTION 1. Lodi Municipal Code Chapter 13.20 - Electrical Service, Article III. Rates, is hereby amended by adding Section 13.20.175 - Schedule MCA - Market Cost Adjustment as follows:

### SCHEDULE MCA - MARKET COST ADJUSTMENT

#### APPLICABILITY:

When in effect, this schedule is applicable to all areas served by the City and to all kilowatt-hours billed under all rate schedules as defined under the special conditions of the rate schedules labeled Purchased Power Adjustment.

#### PURPOSE:

Generally, power supply costs will be recovered through application of the base rates. In the event that substantial changes in projected power supply costs occur, either increases or decreases, the Market Cost Adjustment Billing Factor will be activated to provide for increases or decreases in the City's charges for electric service. The Electric Utility Director shall develop and recommend a MCA Billing Factor to be effective on a specified date for the approval of the City Council.

#### APPLICATION OF MARKET COST ADJUSTMENT:

When applicable, the Market Cost Adjustment Billing Factor (MCABF) for a particular rate schedule as designated in the attached MCABF table, in cents per kWh, shall be applied to kilowatt-hours sold on and after the effective date, and continuing thereafter until the next base rate change or until a revision to the Market Cost Adjustment Billing Factor becomes effective. The dollar amount to be added to or subtracted from each bill due to the Market Cost Adjustment shall be obtained by multiplying the number of kilowatt-hours for which the bill is rendered by the applicable Market Cost Adjustment Billing Factor.

#### CALCULATION OF THE POWER COST ADJUSTMENT BILLING FACTOR:

- When the Electric Utility Director deems that substantial changes in power supply costs have occurred relative to the costs included in base rates, the Market Cost Adjustment Billing Factor shall be activated following the approval of the City Council.
- The Billing Factor shall remain in effect until the next base rate change or until a revision to the Billing Factor is necessary.
- While the Billing Factor is activated, a Market Cost Adjustment account shall be maintained. Entries into this account shall be:
  - The balance from the previous month;
  - The increase or decrease in charges for electric service billed using the applicable Billing Factor; and
  - Any interest accruing to the account.
- The MCA Billing Factor shall be designed by giving consideration to the following factors:
  - Rate stability is desirable and frequent changes in the MCA Billing Factor are undesirable.
  - The financial integrity of the Electric Utility Department shall be maintained by applying a MCA Billing Factor, when necessary, to ensure that the Electric Utility Department does not overcollect or undercollect the revenue required for sound financial operation.

- The Electric Utility Department shall furnish to the City Council a notice of any proposed activation or change in the MCA Billing Factor. Any activation or change in the MCA Billing Factor requires approval by the City Council.
- The Electric Utility Department generally shall make the MCA Billing Factors effective as of the first day of the appropriate month. Adjustments to the MCA shall be no more frequent than quarterly and no less than semi-annually.

Class	Cents per kWh	Date Effective
EA, EE under 300 kWh	1.250	June 1, 2001
EA, EE 301 to 500 kWh	1.900	June 1, 2001
EA, EE above 500 kWh	3.000	June 1, 2001
ED, EF	0.000	June 1, 2001
EM	0.000	June 1, 2001
EL	0.000	June 1, 2001
G1	2.000	June 1, 2001
G2	2.000	June 1, 2001
G3	0.000	June 1, 2001
G4	0.000	June 1, 2001
G5	0.200	June 1, 2001
G6	0.000	June 1, 2001

Section 2. - No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee thereof, a mandatory duty of care towards persons or property within the City or outside of the City so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

Section 3. - Severability. If any provision of this ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the ordinance which can be given effect without the invalid provision or application. To this end, the provisions of this ordinance are severable. The City Council hereby declares that it would have adopted this ordinance irrespective of the invalidity of any particular portion thereof.

SECTION 4. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

SECTION 5. This Schedule MCA - Market Cost Adjustment shall be effective on applicable electric utility billings prepared by the City of Lodi on or after June 1, 2001.

Information regarding this matter may be obtained in the office of the Electric Utility Department Director, 1331 South Ham Lane, Lodi, California. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing. If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the Public Hearing described in this notice or in written correspondence delivered to the City Clerk, 221 West Pine Street, Lodi, California at or prior to the Public Hearing.

By Order of the Lodi City Council:

Susan J. Blackston  
City Clerk  
Dated: March 21, 2001  
Approved as to form:  
Randall A. Hays  
City Attorney

April 2, 10, 2001

- 3231

3231

PROOF OF PUBLICATION



*Please immediately confirm receipt  
of this fax by calling 333-6702*

CITY OF LODI  
P. O. BOX 3006  
LODI, CALIFORNIA 95241-1910

**ADVERTISING INSTRUCTIONS**

SUBJECT: PUBLIC HEARING FOR INTRODUCTION OF DRAFT ORDINANCE FOR THE  
IMPLEMENTATION OF A MARKET COST ADJUSTMENT POLICY AND MECHANISM

PUBLISH DATE(s): MONDAY, APRIL 2, 2001  
TUESDAY, APRIL 10, 2001

TEAR SHEETS WANTED: Three (3) please

SEND AFFIDAVIT AND BILL TO: SUSAN BLACKSTON, CITY CLERK  
City of Lodi  
P.O. Box 3006  
Lodi, CA 95241-1910

DATED: MARCH 30, 2001

ORDERED BY:

JACQUELINE L. TAYLOR  
DEPUTY CITY CLERK

*Jennifer M. Perrin*  
JENNIFER M. PERRIN  
DEPUTY CITY CLERK

**Verify Appearance of this Legal in the Newspaper - Copy to File**

*E-mailed to Sara at*  
Faxed to the Sentinel at ~~360-4084~~ at *2:16pm* (time) on *3/30/01* (date) *JP* (pages)  
Sharon \_\_\_\_\_ Phoned to confirm receipt of all pages at \_\_\_\_\_ (time) \_\_\_\_\_ Jac \_\_\_\_\_ Jen \_\_\_\_\_ (initials)  
*compeladineews.com*

# NOTICE OF PUBLIC HEARING

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## **PROPOSED ORDINANCE:**

**SECTION 1.** Lodi Municipal Code Chapter 13.20 - Electrical Service, Article III. Rates, is hereby amended by adding Section 13.20.175 – Schedule MCA – Market Cost Adjustment as follows:

### **SCHEDULE MCA – MARKET COST ADJUSTMENT**

#### **APPLICABILITY:**

When in effect, this schedule is applicable to all areas served by the City and to all kilowatt-hours billed under all rate schedules as defined under the special conditions of the rate schedules labeled Purchased Power Adjustment.

#### **PURPOSE:**

Generally, power supply costs will be recovered through application of the base rates. In the event that substantial changes in projected power supply costs occur, either increases or decreases, the Market Cost Adjustment Billing Factor will be activated to provide for increases or decreases in the City's charges for electric service. The Electric Utility Director shall develop and recommend a MCA Billing Factor to be effective on a specified date for the approval of the City Council.

#### **APPLICATION OF MARKET COST ADJUSTMENT:**

When applicable, the Market Cost Adjustment Billing Factor (MCABF) for a particular rate schedule as designated in the attached MCABF table, in cents per kWh, shall be applied to kilowatt-hours sold on and after the effective date, and continuing thereafter until the next base rate change or until a revision to the Market Cost Adjustment Billing Factor becomes effective. The dollar amount to be added to or subtracted from each bill due to the Market Cost Adjustment shall be obtained by multiplying the number of kilowatt-hours for which the bill is rendered by the applicable Market Cost Adjustment Billing Factor.

#### **CALCULATION OF THE POWER COST ADJUSTMENT BILLING FACTOR:**

1. When the Electric Utility Director deems that substantial changes in power supply costs have occurred relative to the costs included in base rates, the Market Cost Adjustment Billing Factor shall be activated following the approval of the City Council.
2. The Billing Factor shall remain in effect until the next base rate change or until a revision to the Billing Factor is necessary.
3. While the Billing Factor is activated, a Market Cost Adjustment account shall be maintained. Entries into this account shall be:
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- c. Any interest accruing to the account.
4. The MCA Billing Factor shall be designed by giving consideration to the following factors:
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5. The Electric Utility Department shall furnish to the City Council a notice of any proposed activation or change in the MCA Billing Factor. Any activation or change in the MCA Billing Factor requires approval by the City Council.
6. The Electric Utility Department generally shall make the MCA Billing Factors effective as of the first day of the appropriate month. Adjustments to the MCA shall be no more frequent than quarterly and no less than semi-annually.

MARKET COST ADJUSTMENT BILLING FACTOR		
The Market Cost Adjustment Billing Factor by designated rate schedule, in cents per kilowatt-hour, shall be shown in this Section. Certain classes may have a tiered MCABF by level of monthly consumption.		
Class	Cents per kWh	Date Effective
EA, EE under 300 kWh	1.250	June 1, 2001
EA, EE 301 to 600 kWh	1.900	June 1, 2001
EA, EE above 600 kWh	3.000	June 1, 2001
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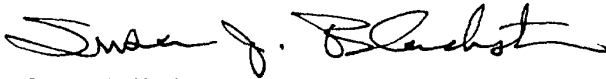
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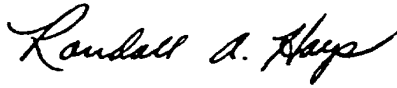
By Order of the Lodi City Council:

A handwritten signature in black ink, appearing to read "Susan J. Blackston". The signature is fluid and cursive, with the first name "Susan" and last name "Blackston" clearly distinguishable.

Susan J. Blackston  
City Clerk

**Dated: March 21, 2001**

Approved as to form:

A handwritten signature in black ink, appearing to read "Randall A. Hays". The signature is cursive and stylized, with the first name "Randall" and last name "Hays" clearly distinguishable.

Randall A. Hays  
City Attorney